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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JUN 23 1997

Federal Communications Commission
Office of Secretary

In the Matter of:)
Amendment of Part 1 of the Commission's Rules)
Competitive Bidding)

WT Docket No. 97-82

COMMENTS

MCI Communications Corporation ("MCI") hereby submits comments in response to the Wireless Telecommunications Bureau's Public Notice (DA 97-679) dated June 2, 1997, requesting comments on installment payment issues affecting licensees in the broadband PCS C- and F-Blocks. As stated in the Public Notice, MCI was among several parties who previously submitted, on an informal basis, proposals for alternative financing arrangements for broadband PCS C- and F-Block licensees. In an effort to obtain additional views before determining which options would be most appropriate, the Bureau established comment and reply comment dates and announced that it will hold a public forum on June 30.

In our letter of May 1, 1997, MCI advised the Commission of its view that, absent prompt and decisive action by the Commission to change license payment terms, many C-Block licensees "will soon face financial crises." MCI recommended that the Commission implement changes in three significant areas: (1) financing terms; (2) ownership and attribution; and (3) procedure. Based on MCI's discussions with licensees, vendors and representatives of the financial markets, we presented a specific proposal for debt restructuring. To allow Entrepreneurs suffi-

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cient breathing room to complete buildout and begin generating revenues, MCI proposed that all payments deferred until year 6. Accrued interest would be paid beginning in year 6 and the principal balance would be paid in 5%, 10%, 10% and 75% increments in years 7 through 10. MCI recommended that the ownership and attribution rules be relaxed to allow strategic investors to infuse additional capital without changing the control exercised by the Entrepreneur licensee's Control Group. Finally, we advised the Commission of our concern that further delay, in order to complete a formal rulemaking proceeding, could postpone restructuring so long as to virtually extinguish financing options for some Entrepreneurs, and would also delay meaningful wireless competition in many markets where buildout financing has not yet been arranged. For this reason, MCI recommended that the Commission proceed by individual waivers rather than conventional rulemaking.

MCI is pleased that the Bureau has established a timetable for the submission of both written and oral views on an expedited schedule, one which will result in a complete record by mid-July. To the extent that this will enable the Commission to issue a decision within a few weeks thereafter, this goes a long way toward resolving the concerns previously expressed about delay. On the other hand, our review of the informal proposals attached to the Public Notice as well as our continuing discussions with licensees, vendors, analysts and the financial community, suggests that spectrum cost must be adjusted to an effective level that assures that C-Block licensees can be competitive with established wireless providers from an economic standpoint. Although MCI's proposal would have resulted in each C-Block licensee paying the full bid amount by the end of the initial license term, we now believe that this will be "too little, too late" to assure financing and buildout, and to achieve on a broad scale the Commission's vision of robust broad-

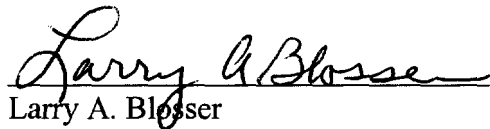
band wireless competition in which Entrepreneurs play a vital role. Some combination of a reduced per-POP price and payment terms involving no-interest loans or repayment periods extending beyond the tenth year is needed to offset the tremendous advantages of timing and spectrum cost enjoyed by the incumbent cellular and A- and B-Block competitors. Principal among these advantages are the lengthy headstart and lower spectrum cost that established competitors have enjoyed.

Spectrum costs must be adjusted to levels below the A- and B-Block prices to assure that C-Block licensees obtain financing and complete timely buildout so that they can be viable competitors to incumbent wireless operators, cellular and PCS alike. Further, the fact that cellular carriers obtained their spectrum at no cost (other than relatively minimal legal costs) cannot be ignored when assessing the C-Block licensees' ability to compete effectively.

To illustrate the economic advantage enjoyed by leading A- and B-Block licensees, MCI has prepared an attachment on Spectrum Economics (Attachment A). The charts show the spectrum cost as a percentage of total revenue, and illustrate the marketplace disadvantage resulting from higher C-Block spectrum costs. With financial markets in their current condition, C-Block licensees await Commission action on spectrum pricing, while A- and B-Block markets are coming on stream. With positive action by the Commission within a short timeframe, C-Block licensees could still face 12-18 month financing and buildout periods.

MCI intends to continue its discussions with other interested parties and will carefully review the initial comments and the oral presentations at next week's forum, and will provide the Commission with its views in reply comments to be filed on July 8.

Respectfully submitted,

A handwritten signature in cursive script, reading "Larry A. Blosser", written over a horizontal line.

Larry A. Blosser
MCI Communications Corporation
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Washington, D.C. 20006
(202) 887-2727

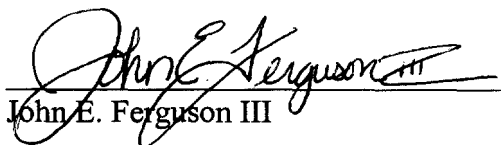
June 23, 1997

CERTIFICATE OF SERVICE

I, John E. Ferguson III, do hereby certify that copies of the foregoing Comments of MCI on the Matter of the Amendment of Part 1 of the Commission's Rules on Competitive Bidding were hand delivered, on this 23rd day of June, 1997, to the following:

Wireless Telecommunications Bureau
Auctions and Industry Analysis Division
Attn: Sande Taxali
2025 M Street, N.W.
Room 5322
Washington, DC 20554

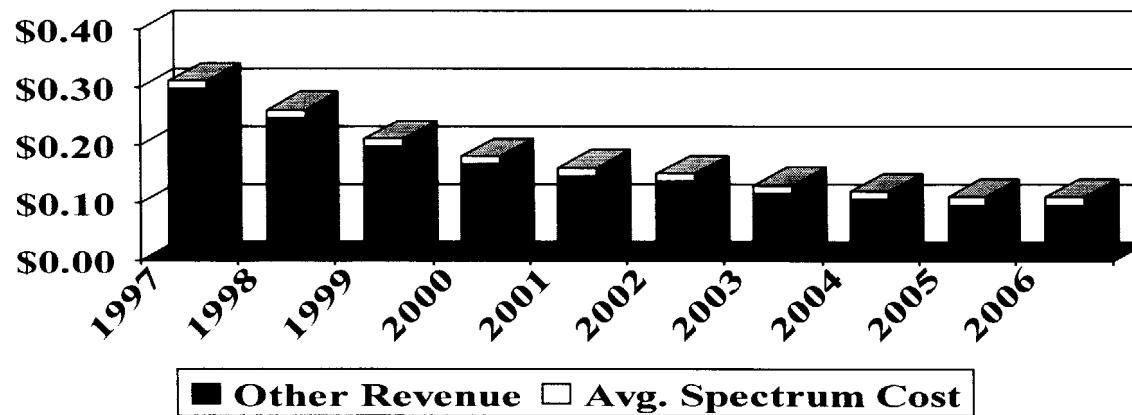
ITS
Federal Communications Comm.
1919 M Street, NW
Room 246
Washington, DC 20554


John E. Ferguson III

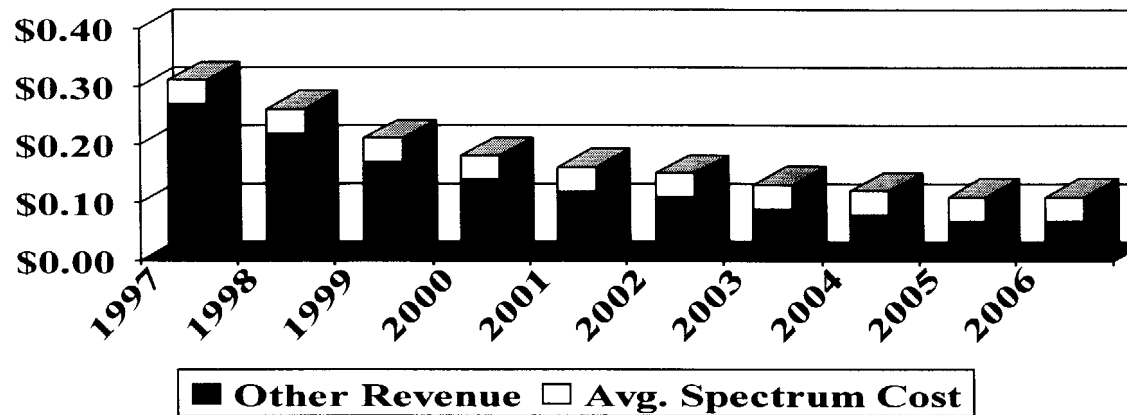
Relative Spectrum Cost

As Portion of Revenue -- Per Minute Basis

ATT & SPRINT - Projected Spectrum cost as portion of revenue



TOP C-BLOCK LICENSEES -- Projected Spectrum Cost as Portion of Revenue



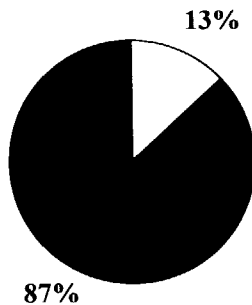
Attachment A

Projected Spectrum Economics

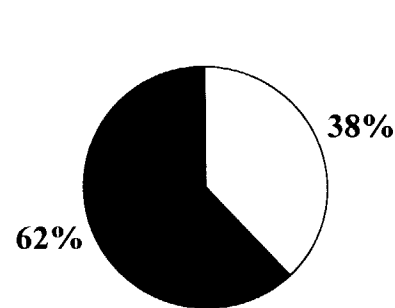
•Top PCS Bidders -- Sprint and AT&T -- paid an average of \$14.87/POP in A/B Block or \$.0143/Minute. C-Block PCS -- as represented by five top bidders -- NextWave, Pocket, AerForce, General Wireless and PCS2000 -- paid an average of \$43.07/POP or \$.0416/Minute.

•If retail rates fall, as predicted, to \$.11/minute by 2006, spectrum cost would represent 38% of revenue for the C-Block vs. only 13% for Sprint/AT&T in year 10. (All would compete with cellular incumbents, with no government spectrum cost).

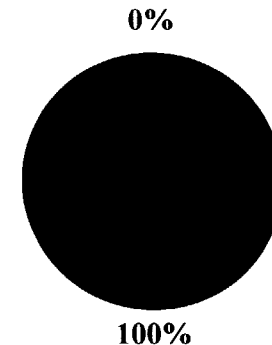
AT&T/SPRINT



C-BLOCK



CELLULAR



□ Spectrum Cost ■ Other Revenue

Methodology

- A typical PCS POP is projected to generate 1,036 minutes over 10 years.**
- Spectrum cost divided by 1,036 minutes to arrive at average spectrum cost per minute over the 10-year license term:
 - Sprint/ATT = \$.0143
 - Top C-Block Licensees = \$.0416

* Source: Goldman Sachs

** Source: Donaldson Lufkin & Jenrette

Goldman Sachs Global Research

DLJ Typical PCS Company

	A/B/C Bid Per Pop	Spectrum Cost/Minute (over 10 yrs)		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Sprint	\$14.00	\$0.0135	Beginning Penetration	0.04%	0.39%	0.91%	1.49%	2.08%	2.71%	3.35%	4.02%	4.69%	5.36%	
AT&T	\$15.73	\$0.0152	Ending Penetration	0.39%	0.91%	1.49%	2.08%	2.71%	3.35%	4.02%	4.69%	5.36%	6.04%	
NextWave	\$45.80	\$0.0442	Avg. Penetration	0.22%	0.65%	1.20%	1.79%	2.40%	3.03%	3.69%	4.36%	5.03%	5.70%	
Pocket	\$42.53	\$0.0411	Monthly MOU/Sub	150	170	200	225	250	275	300	325	350	375	
AerForce	\$29.15	\$0.0281	Annual MOU/Sub	1800	2040	2400	2700	3000	3300	3600	3900	4200	4500	
General Wireless	\$59.05	\$0.0570												
PCS2000	\$38.84	\$0.0375	Annual Minutes/Pop	4	13	29	48	72	100	133	170	211	257	1,036
														10-yr mins
AVERAGE Sprint & AT&T	\$14.87	\$0.0143	Revenue/Minute	\$0.31	\$0.26	\$0.21	\$0.18	\$0.16	\$0.15	\$0.13	\$0.12	\$0.11	\$0.11	
			=====											
AVERAGE NextWv. to PCS2000	\$43.07	\$0.0416	Avg. per minute spectrum cost as a % of Revenue AT&T and SPRINT ONLY	5%	6%	7%	8%	9%	10%	11%	12%	13%	13%	
			Avg. per minute spectrum cost as a % of Revenue NextWv. to PCS 2000	13%	16%	20%	23%	26%	28%	32%	35%	38%	38%	